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PROBABLE DEVELOPMENTS IN EGYPT

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PROBABLE DEVELOPMENTS IN EGYPT

CONCLUSIONS

1. Egypt is of major importance to Western security interests because Western access to its territory in time of war is essential for effective defense of the Middle East and because of the influence which developments in Egypt are likely to have on the other Arab states.

2. Egypt is now controlled by a military junta, the Revolutionary Command Council, which has espoused a program of internal reform and is currently attempting to secure Egypt's foreign policy objectives through negotiation with, rather than defiance of, the West.

3. Although the present regime has inherent political weaknesses and will face many difficulties, it appears capable of coping with all purely domestic problems likely to arise during the next few months. Barring unpredictable contingencies such as assassination, its earliest and possibly most decisive test is likely to arise in the field of foreign policy, specifically in connection with the contemplated negotiations with the West regarding British evacuation of the Suez base and Egypt's role in Middle East defense.

4. A successful outcome of these negotiations cannot be predicted, particularly if the Egyptians continue to insist on complete British evacuation before considering the defense arrangement which they will accept thereafter. Difficulties will almost certainly be created by hard bargaining tactics by both the British and the Egyptians, and by the many substantive issues which must still be resolved.

5. If the negotiations broke down and a prolonged stalemate ensued, the present government would probably seek to cover the failure of its foreign policy by assuming an anti-Western attitude. Faced with internal dissension, increasing opposition, and possible overthrow, the government would probably seek arms and increased trade from the Soviet bloc and at least acquiesce in a renewal of guerrilla warfare against the British garrisons. Any successor regime would probably be more extremist and anti-Western. Serious disorders would lead the British to consider military occupation of other parts of Egypt.

6. The achievement of an agreement with the West satisfactory to Egypt would greatly strengthen the position of the present Egyptian regime. Its domestic prestige would be increased and it would obtain the means for making a start toward improving its military and economic position.

7. Egypt would remain, however, a basically unstable country. Even with foreign aid, the regime would be faced with difficult problems of management and

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social adjustment in carrying out its internal reform program. Egypt's economic fortunes would continue to be largely determined by the fluctuations of the world cotton market. Finally the regime would remain burdened with the long-range problem of coping with heavy population pressure and emerging popular aspirations in a land of limited possibilities for increasing output.

8. The achievement of a defense agreement settlement with Egypt along the lines now contemplated by the US and UK would provide the West with Egyptian commitments regarding the Suez base area. It would also provide the West with an opportunity to secure closer cooperation from the other Arab states. Important sources of friction would remain, however, notably Anglo-Egyptian suspicions and Arab-Israeli tensions.

DISCUSSION

INTRODUCTION

9. Egypt is of major importance to Western security interests. The Suez Canal lies entirely within Egyptian territory. The Suez Canal area contains the largest and best located military base in the Middle East, and its communications facilities and labor supply are the best in the region. Western access to Egyptian territory in time of war is considered essential for effective defense of the Middle East. Moreover, because Egypt is the most advanced and influential of the Arab states, developments in Egypt will have considerable effect on the attitude of the other states of the Middle East toward the West, on Arab-Israeli relations, and on Communist influence in the area.

10. The Revolutionary Command Council [1] under the chairmanship of General Mohammed Nagib has complete control over the Egyptian Government. Since overthrowing King Farouk in July 1952, the RCC has put an end to parliamentary government by abrogating the 1923 Constitution and abolishing all political parties, and has destroyed or neutralized major opposition groups. General Nagib is Prime Minister and has assumed extraordinary powers for three years. The RCC not only has control over the government and the ability to maintain public order, but it currently enjoys widespread public support for its domestic and foreign policies.

11. The members of the RCC regard themselves as revolutionary reformers; they are committed to a bold program aimed at achieving sweeping internal reforms, at gaining and exercising full Egyptian sovereignty, and at strengthening Egypt economically and militarily. Breaking with the precedent of the governments that preceded it, the RCC inaugurated its regime with an energetic assault on corruption and inefficiency and a change of approach in the field of foreign policy which has provided a new and favorable opportunity for the negotiation of outstanding issues with the UK.

BASIC CONCERNS OF GOVERNMENT IN EGYPT

Political

12. By decree, supreme sovereignty is exercised by Nagib in conjunction with the RCC, which reportedly follows the principle of majority rule. A Council of Ministers, which is appointed by and may be dismissed by the RCC, sits with the RCC to pass on the general policy of the state. The RCC has the cooperation of a number of competent civilian leaders in high posts and of the rank-and-file of civil servants.

13. Since coming to power the RCC has ruled with increasing effectiveness and has dis-

[1] The Revolutionary Command Council, commonly called the High Military Committee until a recent official announcement, is hereinafter referred to as the RCC.

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played great shrewdness in dealing with existing political organizations and prominent political personalities. It has announced and implemented extensive reforms, which have always been contrived and presented in a manner which has attracted more support than opposition and conveyed a sense of active concern for the nation or some large element within it. The RCC has been able to achieve this political success, in spite of the handicap of inexperience, because its program has appealed to the important middle sector of Egyptian society, made up of students, government workers, professional classes, and small businessmen. The members of the RCC are themselves members of that social group, were educated in institutions where its emerging ideals predominated, and accept the principles and objectives of Egyptian nationalism. The RCC has won the support of the members of the middle sector of Egyptian society because its program gives expression to their aspirations for independence and reform and gives hope for the achievement of these long-cherished goals.

14. The RCC is apparently aware of the importance of catering to the urge of the middle sector to engage in political activity and so far has managed to keep it satisfied and loyal, without sacrificing its own power. Over the long run, however, the RCC will have to provide other means for this middle group to get a sense of participation in political life, or run the risk of dangerous opposition from the most politically conscious and influential members of Egyptian society. It is currently attempting to do this through the medium of the new official "Liberation Organization" which is designed to provide a new center around which political support for the new regime can be organized. The RCC has placed great emphasis upon its reformist aspirations, but it has shown increasing caution about unorthodox schemes for solving the country's problems, however great immediate political value they might have. In a period of crisis, however, inexperience and zeal to win wider popular support might lead the RCC to attempt sweeping programs beyond the capability of the government.

15. A potential source of weakness in the RCC is its reported division into two factions on questions of principle and tactics. One group, which includes General Nagib and which has dominated the RCC from the beginning, supports a policy of moderate nationalism and currently advocates an attempt to secure benefits for Egypt through bargaining with the West. A second group is said to lean more toward extreme nationalism and a tactic of toughness and militancy. Divisions within the RCC are likely to increase if the regime fails to make progress, thus decreasing the effectiveness of the government.

16. There exist several opposition groups which might participate in a counter-revolutionary movement. These include the supporters of the monarchy, the upper-class politicians who formerly dominated Parliament, the Wafd Party, and Army groups associated with the former High Command or opposed to the Army's new political role. All these groups have been weakened or neutralized by the present government, but they would gain strength if the government suffered serious reverses or failed to make progress, or if serious conflicts developed within the RCC itself. Even the groups now supporting the RCC, particularly the Moslem Brethren, might turn against it under certain circumstances.

17. The small and factional Communist movement in Egypt is not likely to become a serious threat as long as the present regime makes progress toward its announced goals. The RCC government will continue to suppress Communism and apparently has the means to control Communist-inspired disorders in Egypt. While these circumstances prevail, Communists are unlikely to make progress toward infiltrating the armed forces or the civil agencies of the government. Communists in Egypt will probably concentrate on anti-Western propaganda themes such as "imperialism," and US support of Israel, particularly while negotiations with the West continue. If, however, the govern-

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ment's policy of bargaining with the West should end in stalemate the Communists would enjoy an increased propaganda advantage. If economic deterioration and failure of projected economic and social reforms produced widespread dissatisfaction, Communist influence with students, labor, and peasants would be greatly increased. In the event of the serious weakening of the government's position in Egypt, the Communists could contribute to the general instability by supporting one or more of the opposition groups now infiltrated to a limited extent.

Economic

18. When it came to power in Egypt, the RCC was keenly aware that much of the dissatisfaction with the former regime stemmed from its corruption and from its failure to deal effectively with the country's growing economic problems. It took early and strong action against the governmental corruption and inefficiency which had had an adverse effect on the economy. The many royal favorites were removed from positions of power and political parties were required to disown and expel corrupt elements. It announced a sweeping land reform program and took steps to meet the immediate domestic cotton crisis.

19. The RCC's land reform program as enacted, though less ambitious than the one originally announced, remains its most important domestic innovation and a principal reason for its reputation as a champion of reform. Under present plans, the government will in the next five years take over that portion of individual holdings which is in excess of 200 acres for redistribution to landless peasants in two to five acre plots. In addition, the government is instituting collateral changes which may have an even more pronounced effect on Egyptian agriculture, among them a restatement of peasant rights vis-a-vis their landlords, provision for governmental fixing of agricultural wages, and compulsory membership in agricultural cooperatives by all holders of five acres or less. The land redistribution program will involve about one-tenth of the land now under cultivation, less what the larger landholders give to their relatives or sell to others, as permitted by the law, before the government moves in. The program is set up on self-liquidating lines; the government will pay off the large landowners in government bonds and in turn is to be paid back by the new peasant proprietors over a thirty-year period.

20. The program has thus far been a major political asset to the regime; its popularity among the peasantry and the middle groups has more than outweighed the adverse effect on the already hostile landlord class. However, the political value of the program may decline as it is carried out. Present supporters of the program may become disillusioned as it becomes apparent that only a small fraction of the millions of landless peasants — perhaps 150,000 families — will obtain plots of their own. Even if the program is quickly and efficiently implemented, rural living standards will not necessarily improve. Unemployment among hired farm laborers may increase, and production may actually decrease as a result of the changes in ownership, production methods, and marketing channels. We believe that government attempts to exact payments from the new peasant proprietors will become a continuing cause of friction, even though payments are to be spread over a thirty-year period and compensation rates have been set at half or less of the current value of the land expropriated.

21. The RCC has been forced to address itself to a serious cotton situation resulting from excessive speculation under preceding regimes, increased production of Egyptian cotton, and a slump in the world cotton market. Soon after the beginning of the new cotton crop year in September 1952, the RCC government found that the state owned a large carry-over from the preceding year's crop and that speculation had priced Egyptian cotton out of the world market, in which prices were falling. The government closed the futures market, pegged the price of cotton, and offered to buy it at that price in order to prevent the ruin of Egyptian producers. With great effort the agents of the

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government have succeeded in disposing of more cotton abroad than had been sold or bartered at this time last year. The big cotton problems, however, remain unsolved. Because of increased Egyptian production, this year's carry-over will probably be larger than last year's, even if sales hold up. The most dangerous element in the situation is the effect that the current low price of cotton (less than half of last year's price for the long staple variety) has on foreign exchange earnings, upon which Egypt depends for vital imports.

22. Under the present organization of the Egyptian economy, Egypt exports about half of its agricultural output by value, using the proceeds to purchase essential foodstuffs and items like fertilizer needed to maintain production. Of these exports, cotton is by far the most important, normally providing some 75–80 percent of Egypt's foreign exchange earnings. Egypt could make some adjustments to a continuation of the present slump in world cotton prices. It could probably divert considerable additional acreage from cotton to wheat, but even at present prices wheat is still far more expensive to produce at home than to buy with cotton proceeds abroad. Egypt may be able to barter increasing quantities of cotton to the Soviet bloc in exchange for wheat and other goods. In any case, Egypt's economy would probably still remain heavily dependent on the export of a single commodity, the world price of which is unsteady and may be moving downward. Moreover, it will probably be impossible to find a substitute high money-yield crop or to achieve comparable returns from crop diversification.

23. The RCC will also be burdened by Egypt's basic economic and social problem, namely the extreme poverty caused by the pressure of rapid growth of population on the country's meagre resources. There is no ready solution to this problem. The productivity of land now under cultivation probably cannot be substantially increased. Although it is estimated that the cultivated area could be enlarged by 25 to 50 percent through reclamation and irrigation of presently unused land, this might cost as much as ten billion dollars, or one-quarter of the total national income over a twenty-year period. In past years, gains in Egyptian production have been more than matched by increased population, and there is no reason to believe that there will be any rapid change in the conditions which are currently stimulating population growth. Industrial development on a scale sufficient to affect the Egyptian standard of living would require an investment which, like that required for the reclamation of potentially cultivable land, is larger than the economy can carry. Moreover, possibilities for industrial development are limited by the scarcity of known natural resources and by the absence of an adequate industrial base on which to build.

Military

24. Egypt's military forces comprise a 65,000-man army consisting of two infantry divisions plus smaller infantry, armored force, antiaircraft, and coast artillery units; an air force of about 3,000 men, and 111 fighter planes (37 of them jets), 17 bombers, and 57 transports; and a navy of about 5,600 men, equipped with a variety of light escort and coastal patrol vessels. These forces, together with the police, are adequate for maintaining internal order, although their present combat effectiveness is low. Much of the equipment on hand is obsolete or obsolescent, and there are serious shortages not only in major items of unit and individual equipment but also in spare parts and ammunition.

25. Egypt's present leaders, whose drive to power stemmed initially from resentment over the weakened and corrupt state of the armed forces under King Farouk, have made it clear that they want to build a modern military establishment capable of standing up against Israel and capable of assuming sole responsibility for defense of Egypt's cities and bases. This desire to strengthen the armed forces is reinforced by recognition of the favorable psychological effect which such a result would have, not only on the population at large but also on the military forces themselves, on whose continued sup-

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port the present regime relies primarily for survival. However, Egypt cannot obtain the volume of equipment it desires without meeting the conditions which the US and UK wish to impose. Moreover, even if equipment is made available, the transformation of the Egyptian military establishment into an effective fighting force will require sustained outside technical assistance and a long period of training. Although their effectiveness as combat forces would probably remain low, Egyptian forces could be extremely useful as base and line of communications personnel.

Foreign Policy

26. The RCC government has had its greatest success in the field of foreign policy. It has concluded that Egypt's strategic assets and the West's need for Egypt's cooperation make it possible for Egypt to bargain effectively with the West. It has consequently abandoned the unyielding approach of its predecessors, and entered into negotiations with the West. This does not indicate a reversal of basic Egyptian attitudes. The RCC is bargaining with the West, not because it is pro-Western, but because it believes it can thus best achieve its principal foreign policy objective: (a) full sovereign independence and the strength to maintain it. The government also believes that the realization of this objective would contribute to the accomplishment of its other principal foreign policy aims; (b) leadership in the Arab world; and (c) prevention of the expansion of Israel.

27. The achievement of full Egyptian sovereignty through the evacuation of the Sudan and the Suez base area and the military and economic build-up of Egypt with Western aid are the most important of the government's announced foreign policy objectives. Although the RCC has adopted a more flexible policy in bargaining with the British on the Sudan question, RCC members probably share the almost pathological distrust of the British which characterizes their countrymen. Further success in Anglo-Egyptian negotiations will tend to ease relations between the two countries, but will almost certainly not eliminate mutual suspicions.

28. Egyptians do not regard the US as a colonial power, but US support of Israel has made them profoundly suspicious and resentful of US policy in the area. At the moment the Egyptian Government has an extremely cordial attitude toward the US, but this is probably based largely on considerations of expediency. The RCC has counted on the US to bring pressure on the UK to make concessions and sees in the US the most likely source of military and economic assistance. If the RCC became convinced that it could not obtain these benefits from the US, it would almost certainly abandon its present cooperative attitude. Under any circumstances, the RCC would object to anything which it interpreted as US interference in Egyptian affairs.

29. The Egyptian Government will continue its policy of developing and exercising political ascendency in the Arab world. Although Egypt may devote increasing attention to the Sudan and Libya, it will continue to play the leading role in the Arab League. The other Arab states would probably follow Egypt's lead in associating themselves with a Middle East defense organization if offered comparably favorable terms, and would be unlikely to join if Egypt failed to do so. The other Arab states will also tend to give considerable weight to the Egyptian position in such matters as joint action relating to Israel. With the possible exception of Syria, however, they are unlikely to recognize Egyptian authority to make decisions for the Arab League.

30. The RCC is well disposed toward Pakistan and would probably welcome that country's participation in an area defense organization in which Egypt was involved. However, it would resist Pakistani efforts to exercise leadership in the Arab world.

31. Egypt's desire to obtain and to continue to receive military and economic aid from the West may lead the government to restrain itself in its public utterances and public policy toward Israel, but Egyptian hostility toward Israel cannot be expected to change. The RCC will attempt to strengthen the Arab League boycott, which it recognizes has been causing trouble for Israel. Egypt's policy on the procurement of arms and military assist-

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ance will continue to be conditioned in large measure by its desire to redress the military balance of power between itself and Israel. There is little likelihood that Egypt will take steps to come to an over-all peace settlement with Israel, or accept such overtures as Israel is willing to make. However, the present government's evident belief in the advantages of bargaining and of compromise may lead it to move toward some more specific regularization of its relations with Israel.

32. The attitude of the RCC toward the East–West conflict is opportunistic. It sees a more immediate threat from Israel and the UK than from the USSR. It regards the cold war primarily as a circumstance which enhances its bargaining power with the West, particularly the US. It is willing to contemplate cooperation with the West for regional defense mainly because it hopes the West in return will evacuate the Suez base area and grant military and economic aid. If aid were not forthcoming from the West, we believe the Egyptians would probably attempt to obtain arms from or to expand trade with the Soviet bloc, although, as with the West, they would attempt to avoid any agreements with the bloc which would involve any form of political alignment. However, opportunities for trade with the Soviet bloc are limited and the USSR would not be likely to give substantial assistance to any Egyptian regime which was not under virtual Communist domination.

PROBABLE DEVELOPMENTS

33. Although the present government is apparently capable of maintaining security and has reportedly made provision for an orderly succession within the RCC, the Egyptian situation contains so many elements of instability that the course of events might be suddenly shifted by some unpredictable development. Nevertheless, the present regime apparently intends to follow through with a policy of achieving Egyptian objectives if possible through negotiations with the West. The outcome of these negotiations not only will have a major effect on Western interests in Egypt and in the rest of the Middle East but also is likely to exercise a determining influence on the RCC's future policies and tenure of power. We foresee no domestic issues which are likely to produce serious dissension within the RCC or to provide opposition groups with a sufficiently powerful lever to oust it from office during the next few months. Economic problems, while serious, are not likely to assume critical proportions during that period. Thus the earliest and possibly most decisive test of the regime is likely to arise over foreign policy.

34. The first stage in the execution of this policy has recently been completed by the signing of an Anglo-Egyptian agreement providing for self-determination of the Sudan within a period of three years. The RCC has secured the early removal of the British-dominated Sudan administration and has gained at least temporarily the good will of the great majority of Sudanese leaders. The Western Powers, meanwhile, have achieved the removal of the principal stumbling block to settlement of their other outstanding problems with Egypt without abandoning the principle that the Sudanese must be able to decide for themselves whether they wish to be independent or joined in some fashion with Egypt.

Negotiations with the UK and the US

35. With the completion of the formal Sudan agreement, negotiations are now to go forward on the future of the British-occupied Suez base and on Egypt's role in defense of the Middle East. It is expected that Egypt will be offered a firm commitment regarding evacuation of British troops from Egyptian soil and assurance of UK–US economic and military assistance in return for commitments regarding: (a) Western use of the Suez base in time of war; (b) peacetime maintenance and air defense of the Suez base area; and (c) Egyptian participation in a regional defense organization.

36. We are unable to estimate the outcome of these negotiations.

a. On the one hand, the successful conclusion of the Sudan talks has created a favorable atmosphere for the negotiations. RCC members have conceded the need for Western technicians to maintain the Suez base, and have indicated that the government would be

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willing to consider participation in Middle East defense planning once its demands regarding evacuation and military assistance had been met. The British, for their part, have agreed to the principle of evacuation of their troops from Egyptian territory, providing that satisfactory alternate security arrangements are worked out with Egypt.

b. On the other hand, the multitude of compromises which must be worked out and the attitudes which the UK and Egypt are likely to display in dealing with each other will tend to make the negotiations protracted and difficult. The UK will probably continue to regard the Egyptians as oriental bargainers who would be quick to take advantage of any loophole and who would regard any freely offered concession as a sign of weakness; in consequence, the British will probably continue to favor a legalistic step-by-step bargaining technique designed to assure a firm Egyptian commitment in return for every British concession made. For their part, the Egyptians will tend to remain suspicious about British sincerity on the evacuation issue, skeptical about the military necessity for foreign participation in the maintenance and the ground defense of the Suez base area, and anxious to make the most of current Western eagerness to reach a settlement.

37. Negotiating difficulties are mostly likely to arise over the following points:

a. Evacuation of the Suez Base. The UK plans to phase withdrawal of British troops from the Suez base area with progress in the negotiations, in order to insure Egypt's following through with negotiations in good faith. On the other hand, the Egyptians have not only insisted that complete evacuation of British troops from Egypt is a prerequisite to a deal with the West, but have sometimes asserted that serious negotiations might be out of the question until evacuation had been completed.

b. Air Defense. The UK will urge the military necessity of having RAF squadrons participate in air defense of the Suez base area until Egyptian capabilities improve. Egyptian distrust of the British and their sensitivity on the question of sovereignty may lead them to reject this proposal or to demand restrictions on RAF activity unacceptable to the British.

c. Base Technicians. Arguments over the number of technicians needed and their relationship with the Egyptian Government will almost certainly arise.

d. Regional Defense Organization. Although the Egyptians have indicated a willingness to discuss plans for a Middle East defense organization if their own requirements are fulfilled, they have shown little real enthusiasm for the project and will probably seek to keep their own commitments to the organization to a minimum. They will probably be reluctant to grant the organization pre-emergency rights in Egypt. In addition, they can be expected to take strong exception to having a British officer head the military command or staff organization. The Egyptians may present their own plan for an area defense organization based on the Arab League Security Pact.

e. Economic and Military Aid. The Egyptians may object to the proposed phasing of aid to progress in the negotiations. They may make unreasonable demands regarding the type and quantity of aid, and may hold out for grant aid with no strings attached. Finally, probable British insistence on the UK's position as Egypt's habitual source of military supplies may cause difficulties.

If Negotiations Break Down

38. If the negotiations broke down completely and if the US and UK were unsuccessful in evolving some new and different approach to the problem, we believe that the situation in Egypt would gradually deteriorate. Open opposition to the British would increase, and opponents of the policy of negotiating with the West would be strengthened. At least initially, the RCC would probably seek to convince the US of the necessity of assisting them regardless of what the British thought. Requests for US economic and military assistance would be renewed, accompanied by warnings of the increasing danger of the assumption of power by Communist or ultra-nation-

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alist elements and by hints that Egypt might be forced to turn to the Soviet bloc for assistance.

39. If the stalemate between Egypt and the West continued, the regime would almost certainly be compelled to adopt new tactics. US ability to influence the situation would decrease. The Egyptian Government would probably seek to obtain arms from and to increase its trade with the Soviet bloc. Anti-British demonstrations would probably take place in the cities, and a renewal of guerrilla warfare against the British troops in the Suez base area would be likely. Although the Egyptians would not be capable of physically expelling the British garrisons there, even if the Egyptian Army were employed, a combination of guerrilla attacks and economic sanctions could make the operation and maintenance of the base difficult and costly. As tensions mounted within Egypt, the RCC would face internal dissension, increasing opposition and possible overthrow. Any successor regime would probably be more extremist and anti-Western. Serious disorders would lead the British to consider military occupation of other parts of Egypt.

If Negotiations Succeed

40. If the RCC succeeded in reaching a satisfactory agreement with the West, its position would be greatly strengthened. Even if some technicians and RAF units were allowed to remain, Egyptian assumption of control over the Suez base and the evacuation of its British garrison — a goal which previous Egyptian governments have attempted in vain — would represent an important triumph for the regime which would add to its prestige and undermine the opposition. The removal of the immediate causes of friction between Egypt and the West under these favorable circumstances would increase Egyptian self-esteem. Finally, receipt of economic and military aid would further strengthen the position of the government and permit it to make some progress toward improving economic conditions.

41. Achievement of a general settlement between Egypt and the West would at best ameliorate the situation and would not itself guarantee lasting results. Several potential sources of friction between Egypt and the West would remain:

a. Suspicion of the West and lack of primary concern over the Soviet menace would continue, at least initially. As a result Egypt would probably be grudging in its cooperation with the Middle East defense organization and might seek, in response to popular pressure or on its own initiative, to circumscribe the actions of the defense organization and of Western military advisers within its territory.

b. Egypt would almost certainly insist on continuing economic and military aid as the price of continued cooperation with the West. Particularly in the military field, friction would be likely to arise over the amount and character of Western assistance.

c. Antagonism between the Arab states and Israel would continue, and the provision of substantial amounts of military equipment to Egypt would arouse Israel's fears of a renewal of hostilities. US association with Israel would continue to handicap US relations with Egypt.

42. Other potential sources of friction not directly connected with the settlement will remain:

a. Some friction will probably arise over implementation of the Sudan agreement, particularly as the time for elections and for the later decision on Sudan's future status comes near. The retiring British element in the Sudan administration is bitterly hostile to Egypt and will probably seek to encourage anti-Egyptian tendencies in the Sudan. Egypt, on the other hand, will probably employ electioneering and proselytizing tactics to which the British would take exception.

b. The status of the Suez Canal might also become the subject of controversy. Egypt has sought to prevent the movement of Israel-bound goods through the canal, and the British and French have asked the help of other Western nations to bring an end to this practice. The RCC government will probably continue to attempt to block the passage of Israeli goods.

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The Outlook for Internal Stability

43. In any event, Egypt would remain a basically unstable country. Under the best of circumstances, the RCC regime would have serious problems of management and social adjustment in carrying out its internal reform program. In addition, it has only limited ability to fulfill the hopes and expectations of a better life which its own program is helping to stimulate. Egypt's economic fortunes will continue to be largely determined by the fluctuations of the world cotton market. The younger middle-class element which represents the most volatile group in Egyptian political life will still find only limited opportunities for acquiring jobs and status. Finally, the government will continue to be confronted with the underlying difficulty of coping with heavy population pressure in a land of scarcity in all the factors required to expand agricultural and industrial output. Although this is a chronic problem which may never emerge in the form of a clear-cut immediate crisis, it nevertheless makes Egypt's long-range prospects for stability unfavorable.

44. Even with the benefit of foreign military and economic aid, the regime would still have difficulty in sustaining the atmosphere of progress which has helped to buttress its position thus far. In order to provide the lower middle and fellahin groups with an emotional substitute for unachieved social and economic improvements, it might be obliged to adopt extremist policies, in the foreign as well as in the domestic field. If the regime failed to make continuing progress and was unable to provide adequate emotional substitutes, it would probably have to resort increasingly to repressive and authoritarian methods to remain in power.

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